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*Foreign Luxuries*

**Breaking a Taboo, High Fashion Starts Making Goods Overseas**

**Euro's Rise, Low-Cost Rivals, Labor Costs Spur Gamble; Not Always 'Made in Italy'**

**Egyptians Suit Valentino**

By ALESSANDRA GALLONI in Cairo, Egypt, CECILIE ROHWEDDER in London and TERI AGINS in New York  
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A desert wind blows through the open windows of a factory in Cairo that harbors one of the biggest secrets in Italian high fashion: Egyptian tailors.

Women in head-scarves stitch shoulder seams, press wrinkles out of silk-lined pockets and weave Italian fabric through digital sewing machines. They're making \$1,300 men's suits for Valentino, one of the most storied names in Italian luxury. They learned the craft from videotapes on TV sets positioned around the factory floor.

For years, European luxury-goods firms manufactured T-shirts and jeans in Eastern Europe and North Africa, but drew the line at their fanciest collections, which commanded premium prices precisely because they were "Made in Italy." Now, pushed by rising labor costs, currency fluctuations and competition from low-price brands, Valentino and other firms in Italy and France are breaking one of the strictest taboos in high fashion: they're starting to produce some of their most exclusive lines in developing countries.

Celine, a unit of luxury goods giant LVMH Moët Hennessy Louis Vuitton SA, is manufacturing some handbags in China, including its denim-and-leather Macadam bags, which sell for \$500, according to people familiar with the matter. Though it still makes its swankiest label in Italy, Giorgio Armani SpA says it produces 18% of its Armani Collezioni -- which pitches wool trousers for \$450 and silk jackets for \$1,500 -- in Eastern Europe.

**First Steps**

Some high-end European fashion labels are starting to use overseas factories.

**Armani:** 18% of its Armani Collezioni made in Eastern Europe

**Celine:** Macadam line of handbags made in China

**Francesco Blasia:** 80% of handbag production done in China and Eastern Europe

**Gucci:** Some sneakers sewn in Serbia

**Hugo Boss:** \$550 suits made in China

**Prada:** Some shoes stitched in Slovenia;



**A handbag from Celine's Macadam collection produced in China**

Even "Made in Italy" stalwarts such as Prada, Gucci and Tod's say they are tiptoeing into foreign sourcing. Last year, **Gucci Group** NV began sewing some sneakers at a factory in Serbia while leather-goods company **Tod's** SpA produces a part of its Hogan sneaker line in Hungary and is considering moving that to China.

"What do you care where I make my shoes?" says Prada Group NV Chief Executive Patrizio Bertelli. Where local laws permit, Mr. Bertelli says he'd prefer to insert a "Made by Prada" tag in his products. In addition to sewing the upper part of some shoes in Slovenia, Prada makes pieces for some of its handbags in Turkey.

The move out of France and Italy is only just beginning. Fashion executives say some production won't ever move to low-cost countries because Italian craftsmanship is still unparalleled. Sophisticated items made in low volumes -- such as hand-woven leather handbags -- may always be "Made in Italy," for example. For the rest, the industry thinks it's only a matter of time.

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